

PUBLIC DISCLOSURE

March 23, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MEDFORD CO-OPERATIVE BANK

60 HIGH STREET
MEDFORD, MA. 02155

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Medford Co-operative Bank prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "HIGH SATISFACTORY"

This rating is based upon the bank's performance under the five performance criteria for small institutions: (1) Loan to Deposit Analysis; (2) Credit Extended Inside and Outside the Assessment Area; (3) Distribution of Credit Among Different Income Levels; (4) Geographic Distribution of Loans; and (5) Review of Complaints and Fair Lending Policies and Practices.

The analysis of the bank's net loan-to-deposit ratio for the period March 31, 1998 through December 31, 1999 indicates an average ratio of 98.5 percent for this period. As of December 31, 1999, the bank's ratio stood at 109.4 percent. This ratio was compared to other institutions throughout the assessment area and was found to be favorable. The bank is considered to exceed the standards for satisfactory performance in this criterion.

Based on the 1998 and 1999 Home Mortgage Disclosure Act (HMDA) data, approximately 70.6 percent of Medford Co-operative Bank's residential, multi-family, and home improvement loans were originated within its assessment area. The bank is ranked 20th in its assessment area for HMDA-reportable originations for 1998. Furthermore, the bank is ranked first in HMDA reportable loan originations within the City of Medford for 1998. An additional analysis of commercial and commercial real estate loans was also conducted and indicated that the bank originated 57.6 percent of these loans within its assessment area. This level of performance is considered to be satisfactory.

An analysis of HMDA reportable originations by income of the borrower indicated that 20.6 percent of the total originations inside the bank's assessment area were to low and moderate income individuals. The number and dollar volume of originations to low and moderate-income individuals for 1998, when compared to all other lenders in its assessment area, resulted in a ranking of 14th. This section of the examination was deemed to meet the standards for satisfactory performance.

The bank's assessment area is comprised of 68 census tracts. Of these census tracts, 17 or 25 percent are designated as moderate-income, 37 or 54.4 percent as middle-income and 14 or 20.6 percent as upper-income. Throughout 1998 and 1999, Medford

Co-operative Bank originated 76.6 percent of its HMDA reportable loans in middle-income census tracts, followed by 15.0 percent in upper-income census tracts, and 8.4 percent in moderate-income census tracts. Medford Co-operative Bank is considered to meet the standards for satisfactory performance in terms of its geographic distribution of loans.

There were no complaints received by the bank pertaining to its CRA performance and the fair lending examination revealed no evidence of discriminatory or illegal credit practices. The bank was found to have a satisfactory performance in regards to fair lending.

At management's request the Division reviewed the bank's community development loans, qualified investments and services. These additional activities demonstrate the bank's commitment to meet the credit needs of its assessment area and contribute to the overall rating of High Satisfactory.

PERFORMANCE CONTEXT

Description of Institution

Medford Co-operative Bank is a \$221 million institution located in Medford Square, Medford, Massachusetts. Founded in 1886, the bank converted from a mutual to a stock form of ownership on January 8, 1998. Mystic Financial, Inc. was organized as a bank holding company and has acquired all of the capital stock of the bank. Medford Co-operative Bank has a main office located at 60 High Street, Medford and also operates two full service branches in the City of Medford at 201 Salem Street and 430 High Street. The bank also maintains a branch office located at 1793 Massachusetts Avenue in Lexington. The bank operates Automated Teller Machines (ATMs) at all of its full service offices. In addition to its branch network, the bank maintains an educational branch at Medford High School. Banking hours are considered convenient and accessible to the bank's customers.

As of December 31, 1999, the bank had total assets of \$221.3 million dollars of which approximately \$177.3 million or 80.1 percent are in the form of loans. A review of the composition of the bank's loan portfolio was conducted. The bank is primarily a residential mortgage lender with 67.7 percent of its loan portfolio consisting of 1-4 family residential mortgages. Refer to the following table for a breakdown of the composition of the bank's loan portfolio.

LOAN PORTFOLIO

LOAN TYPE	AMOUNT (000'S)	PERCENT
1-4 Family Residential	\$ 119,986	67.7
Commercial Real Estate	\$ 39,818	22.5
Commercial	\$ 8,937	5.0
Construction	\$ 4,362	2.4
Home Equity Lines of Credit	\$ 2,795	1.6
Consumer	\$ 1,455	0.8
GROSS LOANS	\$ 177,353	100.0

Source: December 31, 1999 Call Report

As illustrated above, the bank's primary focus is on 1-4 family residential lending which accounts for the majority of the loan portfolio at 67.7 percent. The composition of the bank's loan portfolio has changed slightly since the last examination based upon data as of September 30, 1998. At that time, residential real estate accounted for 77.0 percent of the loan portfolio compared to 71.7 percent as of December 31, 1999. Also during the same time frame, commercial real estate loans by dollar volume increased from 18.6 percent to 22.5 percent.

Medford Co-operative Bank offers both fixed and adjustable rate mortgages. The bank offers a first time homebuyer loan product which has competitive rates and no closing costs. This product assisted Medford Co-operative Bank in becoming the leading lender for new home purchases in the City of Medford in 1998.

Medford Co-operative Bank experiences direct competition within the immediate area from several local institutions including Medford Bank, Century Bank, Central Bank, Everett Cooperative Bank, Eagle Bank, Winchester Cooperative Bank, Winchester Savings Bank, and Citizens Bank as well as a number of regional and national mortgage companies. The market influence from these institutions appears to be significant and as a result serves to keep the bank's rates and services offered competitive.

There appears to be no significant financial or legal impediments, which would limit the bank's ability to help meet the credit needs of its assessment area.

The Federal Deposit Insurance Company (FDIC) last examined the bank for compliance with the Community Reinvestment Act on November 9, 1998. That examination resulted in a CRA rating of Satisfactory. The Massachusetts Division of Banks on May 5, 1997 last examined the bank for compliance with the Community Reinvestment Act. That examination resulted in a CRA rating of Outstanding.

Description of Assessment Area

Medford Co-operative Bank has defined its assessment area as the cities and towns of Medford, Arlington, Everett, Lexington, Malden, Melrose, Somerville, Stoneham, and Winchester. This delineation places these towns within the Boston Metropolitan Statistical Area (MSA).

Assessment Area Demographics

According to 1990 US Census Data, these nine above communities have a combined population of 367,426 and a total of 151,102 housing units. Of the total housing units, 75,300, or 49.8 percent are owner occupied, 69,480 or 46.0 percent are rental units, and 6,322, or 4.2 percent are vacant housing units. The median housing value for the assessment area is \$190,806. In addition, 11,316, or 7.8 percent of the total number of households in the assessment area live below the poverty level.

There are 68 census tracts within the bank's assessment area. Of these census tracts 17 or 25.0 percent are designated as moderate-income, 37 or 54.4 percent are designated as middle-income, and 14 or 20.6 percent are designated as upper-income. Refer to the following table for a breakdown of census tracts throughout the assessment area.

CENSUS TRACTS AND INCOME IN ASSESSMENT AREA

CITY/TOWN	MODERATE	MIDDLE	UPPER	TOTAL
Medford	1	9	1	11
Arlington	1	5	1	7

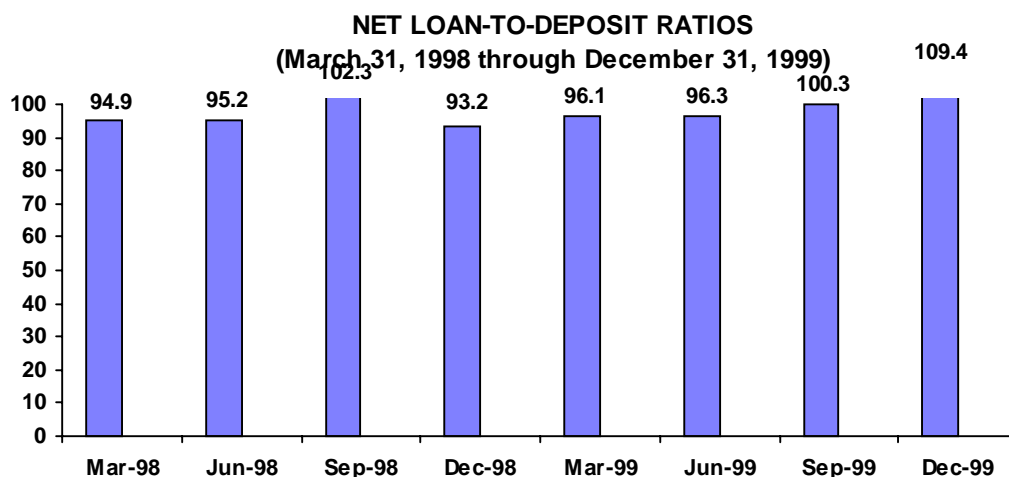
Everett	6	1	0	7
Lexington	0	0	7	7
Malden	1	8	0	9
Melrose	0	3	1	4
Somerville	8	7	0	15
Stoneham	0	3	0	3
Winchester	0	1	4	5
TOTAL	17	37	14	68
PERCENTAGE	25.0	54.4	20.6	100.0

Source: 1990 MSA census data

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

A comparative analysis of Medford Co-operative Bank's quarterly net loan-to-deposit ratios for the period of March 31, 1998 through December 31, 1999 was conducted during this examination. Using the bank's quarterly Call Reports, the average net loan-to-deposit ratio for this period is 98.5 percent. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses (ALLL) as a percentage of total deposits. The following graph is provided for further analysis.



The net loan-to-deposit ratio stands at 109.4 percent as of December 31, 1999. As mentioned above, the ratio has averaged 98.5 percent over the previous eight quarters. A comparison of the dollar amount for the bank's loans and deposits as of December

31, 1999 was compared to that of December 31, 1998. This comparison revealed that deposits have increased by 4.7 percent, while net loans for the same period have increased by 22.9 percent. This is due primarily to the bank's aggressive approach in originating commercial and commercial real estate loans.

Medford Co-operative Bank's average net loan-to-deposit ratio was compared to the ratios of other area institutions as of September 30, 1999. Refer to the following table.

INSTITUTION	NET LOAN TO DEPOSIT RATIO
Medford Co-operative Bank	100.3%
Central Cooperative Bank	114.2%
Everett Cooperative Bank	101.4%
Medford Bank	67.7%
Century Bank	65.2%

In order for Medford Co-operative Bank to fund its lending activity, it has utilized the Federal Home Loan Bank advances to offset the lower amount of deposits. This approach enables the bank to aggressively grant loans and stay competitive with other institutions throughout the assessment area.

Medford Co-operative Bank sells loans on the secondary market to FNMA, which enables the bank to recycle funds and extend additional credit. During 1998 and 1999, the bank sold 123 loans totaling \$16,485,566. Despite selling loans on the secondary market, the bank continues to maintain a high net loan-to-deposit ratio. Based on all of the above information, Medford Co-operative Bank's net loan-to-deposit ratio is considered to exceed satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

A review of Medford Co-operative Bank's Loan Application Registers (LARs) for 1998 and 1999 were conducted during the examination. This information indicated the bank originated 710 HMDA reportable loans during this period. All of the loans were for purchase, refinance, multi-family, and home improvement loans. A total of 501 or 70.6 percent of all HMDA reportable loans were originated within the bank's assessment area. Medford accounted for 46.9 percent of these loans, followed by Malden with 7.3 percent, Somerville with 3.7 percent and Lexington with 3.1 percent. The remaining cities and towns within the assessment area account for less than 3.0 percent each.

An additional review of the total dollar amount of HMDA reportable originations for the same period was also performed. The distribution of loans by dollar amount is similar to the distribution by number of originations within the assessment area. The bank granted a total of \$100,938,000 in HMDA reportable loans during this period. Of these loans, \$68,853,000 or 68.2 percent were originated within the bank's assessment area. Medford accounted for 40.0 percent of the dollar amount of loans, followed by Malden

with 6.8 percent, Lexington with 6.2 percent and Somerville with 4.8 percent. The remaining cities and towns within the assessment area account for less than 3.0 percent each.

Refer to the following tables for additional information.

HMDA LOANS BY NUMBER OF ORIGINATIONS

	1998		1999		TOTALS	
LOCATION	#	%	#	%	#	%
Medford	214	51.9	119	39.9	333	46.9
Malden	30	7.3	22	7.4	52	7.3
Somerville	17	4.1	9	3.0	26	3.7
Lexington	11	2.7	11	3.7	22	3.1
Stoneham	10	2.4	8	2.7	18	2.6
Melrose	11	2.7	7	2.3	18	2.5
Arlington	8	1.9	5	1.7	13	1.8
Everett	4	1.0	6	2.0	10	1.4
Winchester	4	1.0	5	1.7	9	1.3
INSIDE ASSESSMENT AREA	309	75.0	192	64.4	501	70.6
OUTSIDE ASSESSMENT AREA	103	25.0	106	35.6	209	29.4
TOTALS	412	100.0	298	100.0	710	100.0

Source - 1998 and 1999 (LARs)

HMDA LOANS BY DOLLAR AMOUNT OF ORIGINATIONS

	1998		1999		TOTALS	
LOCATION	\$ 000s	%	\$ 000s	%	\$ 000s	%
Medford	24,128	45.0	16,347	34.5	40,475	40.0
Malden	3,737	7.0	3,115	6.6	6,852	6.8
Lexington	2,780	5.2	3,457	7.3	6,237	6.2
Somerville	3,331	6.2	1,510	3.2	4,841	4.8
Melrose	1,724	3.2	788	1.7	2,512	2.5
Stoneham	1,199	2.2	1,185	2.5	2,384	2.4
Arlington	1,172	2.2	921	1.9	2,093	2.1
Winchester	800	1.5	1,356	2.9	2,156	2.1
Everett	516	0.9	787	1.7	1,303	1.3
INSIDE ASSESSMENT AREA	39,387	73.4	29,466	62.3	68,853	68.2
OUTSIDE ASSESSMENT AREA	14,250	26.6	17,835	37.7	32,085	31.8
TOTALS	53,637	100.0	47,301	100.0	100,938	100.0

Source - 1998 and 1999 (LARs)

According to CRA Wiz, Medford Co-operative Bank ranked twentieth in market share for HMDA reportable originations throughout the assessment area. The City of Medford accounts for the largest percentage of HMDA reportable loans within the assessment area. This is expected, as three of the full-service offices are located in Medford. A further analysis using CRA Wiz indicated Medford Co-operative Bank was ranked as the number one lender in Medford for the number of HMDA reportable loans originated during 1998. This ranking illustrates the bank's ability to serve the credit needs throughout the City of Medford while remaining competitive in the mortgage market. This performance is considered excellent, since competition throughout the City of Medford is intense, particularly in terms of larger banks and mortgage companies.

At the bank's request, an analysis of commercial and commercial real estate loans was conducted for 1998 and 1999. This review indicated that Medford Co-operative Bank originated 276 loans totaling \$50,980,387 during this period. Of these loans, 159 or 57.6 percent were originated inside the assessment area. The City of Medford accounted for 26.5 percent

of the number of loans, followed by Lexington with 20.3 percent, and Stoneham with 3.3 percent. All of the remaining cities and towns within the assessment area accounted for

less than 3.0 percent each. A further analysis of commercial and commercial real estate loans was conducted by the dollar amount of the loans. This analysis indicated the bank granted \$24,531,871 or 48.1 percent throughout the assessment area.

Based on all of the above information, it is evident that a majority of the number and dollar amount of the bank's loans have been extended within its assessment area. However, while the loans are dispersed throughout the assessment area, there exists a large concentration in the City of Medford. Therefore, the institution's level of lending within its assessment area is considered to meet the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of HMDA reportable mortgages extended among borrowers of different income levels throughout the assessment area was conducted during the examination. Originations were categorized by the ratio of the applicant's reported income to the median family income of the Boston Metropolitan Statistical Areas (MSA). According to the estimated HUD information, the median family of the Boston MSA for 1998 and 1999 is \$60,000 and \$62,700, respectively.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

Refer to the following table for information on the bank's distribution of credit among different income levels.

HMDA LOANS BY INCOME OF BORROWER

% OF MEDIAN MSA INCOME	1998		1999		TOTAL	
	#	%	#	%	#	%
<50%	10	3.2	9	4.7	19	3.8
50% - 79%	53	17.2	31	16.2	84	16.8
80% - 119%	85	27.5	62	32.3	147	29.3
120% >	153	49.5	88	45.8	241	48.1
N/A	8	2.6	2	1.0	10	2.0
TOTAL	309	100.0	192	100.0	501	100.0

Source - 1998 and 1999 (LARs)

As the above table indicates, 20.6 percent of HMDA reportable loans within the bank's assessment area were made to borrowers of low and moderate-income. Middle-income borrowers accounted for 29.3 percent of the bank's originations. Upper-income borrowers accounted for the largest percentage of originations at 48.1 percent.

The following table shows the number and dollar volume of HMDA-reportable loans originated by the bank to low, moderate, middle and upper-income borrowers in comparison to the activity of all other HMDA-reporting lenders in the assessment area during 1998.

Medford Co-operative Bank Compared to All Other HMDA-Reporting Lenders

Borrower Income Level	Number of Loans				Dollars in Loans (000's)			
	Medford Cooperative		All Other Reporters		Medford Cooperative		All Other Reporters	
Low	10	3.2%	742	3.7%	441	1.1%	71,585	1.9%
Moderate	53	17.2%	2,604	12.9%	4,425	11.2%	283,287	7.6%
Middle	85	27.5%	4,827	24.0%	10,364	26.3%	647,228	17.5%
Upper	153	49.5%	8,483	42.1%	21,934	55.7%	1,644,312	44.3%
NA	8	2.6%	3,481	17.3%	2,223	5.7%	1,066,328	28.7%
Total	309	100.0%	20,137	100.0%	39,387	100.0%	3,712,740	100.0%

Source: HMDA Data for the period 1/1/98 to 12/31/98 obtained through CRA Wiz.

As shown in the above table, the percentage of the bank's lending to moderate-income borrowers exceeds that of all other lenders by both the number and dollar volume of loans originated during 1998. The bank's lending to low-income borrowers is comparable to that of other lenders throughout the assessment area. This distribution of lending demonstrates the bank's willingness to lend to borrowers of all income levels, including those of low and moderate-income. The bank's lending to low and moderate-income borrowers for 1999 appears to be similar to 1998 as 20.5 percent of the HMDA originations were granted to low and moderate-income individuals. A further analysis indicated that Medford Co-operative Bank was ranked as the number two lender to low and moderate-income individuals throughout the City of Medford.

A review of the distribution of credit to borrowers of various incomes reflects a good penetration among individuals of different income levels, when comparing the income distribution to the demographics of the assessment area.

In addition, Medford Co-operative Bank's commercial and commercial real estate loan data was reviewed and categorized by loan amount at origination. Of the 159 commercial and commercial real estate loans originated inside the bank's assessment area for the period reviewed, 84 loans or 52.8 percent were for amounts less than \$100,000. Refer to the following table for additional information.

COMMERCIAL/COMMERCIAL REAL ESTATE DATA

COMMERCIAL/ COMMERCIAL REAL ESTATE LOAN SIZE	1998		1999		TOTALS	
	#	%	#	%	#	%
< = \$100K	42	61.8	42	46.1	84	52.8
>\$100K - \$250K	19	27.9	27	29.7	46	28.9
> \$250K	7	10.3	22	24.2	29	18.3
TOTAL	68	100.0	91	100.0	159	100.0

SOURCE: Commercial/Commercial Real Estate Loan Data provided by the bank.

The percentage of loans of smaller loan amounts is considered adequate. Based upon this distribution, the bank appears to be meeting the credit needs of businesses throughout its assessment area.

Based on all the above information, the distribution of credit among different income levels is considered to meet the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of HMDA reportable loans extended within the various census tracts contained in the bank's assessment area was conducted during the examination. The bank's assessment area is comprised of 68 census tracts. Of these census tracts, 17 are designated as moderate-income, 37 as middle-income, and 14 as upper-income.

Throughout 1998 and 1999, Medford Co-operative Bank originated 76.6 percent of its HMDA reportable loans within its assessment area in middle-income areas, followed by 15.0 percent in upper-income census tracts, and 8.4 percent in moderate-income census tracts.

Refer to the following table for more information on the bank's HMDA reportable loan originations within its assessment area.

HMDA LOAN ORIGINATIONS BY CENSUS TRACT

CENSUS TRACT	1998		1999		TOTAL	
	#	%	#	%	#	%
MODERATE	24	7.8	18	9.4	42	8.4
MIDDLE	237	76.7	147	76.5	384	76.6
UPPER	48	15.5	27	14.1	75	15.0
TOTAL	309	100.0	192	100.0	501	100.0

Source: 1998 and 1999 (LARs)

The geographic distribution of the bank's loans by census tract category was also compared to that of all other HMDA-reporting lenders in the assessment area. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 1998 and is presented in the following table.

1998 Lending Within the Assessment Area by Census Tract Income Level **Medford Co-operative Bank Compared to All Other HMDA Reporters**

Census Tract Income Level	Number of Loans				Dollar Amount of Loans			
	Medford Cooperative		All Other Reporters		Medford Cooperative		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Moderate	24	7.8	3,228	16.0	3,359	8.5	474,033	12.8
Middle	237	76.7	11,238	55.8	28,418	72.2	1,842,350	49.6
Upper	48	15.5	5,671	28.2	7,610	19.3	1,396,357	37.6
Total	309	100.0%	20,137	100.0%	39,387	100.0%	3,712,740	100.0%

Source: HMDA/LAR Data for the period 1/1/98 to 12/31/98 obtained through CRA Wiz.

The percentage of the bank's lending activity in moderate-income census tracts, by both number and dollar, is below the aggregate. The percentage of Medford Co-operative Bank's lending activity in moderate-income census tracts was 7.8 percent by

number and 8.5 percent by dollar amount in 1998. By comparison, the aggregate originated 16.0 percent by number and 12.8 percent by dollar amount in moderate-income census tracts. As mentioned in the performance context, there is extensive competition throughout the assessment area. A further analysis indicated that Medford Co-operative Bank ranked as the number three lender to moderate-income census tracts within the City of Medford.

Based on the analysis of the geographic distribution of loans, the bank is considered to meet the standards of satisfactory performance in generating originations from all segments of its assessment area.

5. REVIEW OF COMPLAINTS/FAIR LENDING

Medford Co-operative Bank has not received any complaints related to its CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

The bank has a written Fair Lending Policy, which adequately address the guidelines set forth in Regulatory Bulletin 2.3-101. The following synopsis provides information concerning Medford Co-operative Bank's Fair Lending policies and practices.

STAFF TRAINING

Medford Co-operative Bank conducts a bank-wide training every June. This training, which includes the Directors, specifically informs the staff of Fair Lending and CRA issues. In addition, a video entitled "Fair Lending Compliance, Understanding Equal Treatment" is presented and training logs are kept in the Fair Lending file.

During 1999, the bank's Senior Vice President/Residential Loan Officer and the Vice President/CRA and Compliance Officer attended a seminar on Fair Lending sponsored by the Massachusetts Bankers Association (MBA). The program presented the details of the Interagency Fair Lending Examination Procedures. The procedures provide guidance on taking a comprehensive, efficient, risk-based approach to examining banks for compliance with the non-discriminatory requirements of the Equal Credit Opportunity and Fair Housing Acts.

Also during 1999, the Vice President/CRA and Compliance Officer attended a conference sponsored by the Federal Home Loan Bank of Boston entitled "Strategic Planning for Community Development and Affordable Housing."

STAFF COMPOSITION AND COMPENSATION

As of this examination date, Medford Co-operative Bank employs 83 individuals. Of these employees, 5 or 6.0 percent of the staff are minorities. The bank also has employees who are bilingual in Creole, Greek, Italian, Portuguese, and Tagalog.

The bank currently employs outside loan originators who work in and around the bank's assessment area. These outside originators are paid on a commission basis based on the principal amount and the type of loan originated.

OUTREACH

Management and the Board of Directors maintain pro-active attitudes in addressing community credit needs. Meaningful and ongoing relationships are maintained with a variety of community organizations in order to determine the credit needs of the assessment area.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

Medford Co-operative Bank offers three first time homebuyer programs (FTHB). The first features a 30-year fixed-rate, which offers a lower rate than conventional fixed rate mortgages. The bank also offers a 5/5 adjustable rate mortgage (ARM) where the first five years are fixed, reviewed every five years thereafter, and which is priced at .125 percent less than the conventional 5/5 ARM. Finally the bank offers a 7/1 ARM. During 1998 and 1999, the bank granted 90 first time homebuyer loans totaling \$14,287,465.

MARKETING

The bank regularly advertises in local newspapers, on cable television, and on radio. The bank advertises in "Community Newspapers" which circulates throughout all the cities and towns within the assessment area. The bank has not utilized any bi-lingual advertising to promote its credit products or services since the previous examination.

CREDIT EDUCATION

Medford Co-operative Bank conducted a first time homebuyers seminar on March 23 and March 25, 1998. The seminar was held at the bank's branch office located on Salem Street in Medford and 68 people were in attendance. As a result of the seminar, the bank granted 10 loans totaling \$1,740,425.

The bank holds at least one seminar every year. However, due to the preparation of the Mystic Financial, Inc. Stockholders Meeting, testing requirements for Y2K, and the fact the lending department was temporarily understaffed, the first time home buyer seminar was cancelled for 1999. Plans are currently underway for the bank's second first time homebuyer's seminar for calendar year 2000.

COUNSELING

The bank refers all loan customers whose payments are more than 30 days delinquent, to the appropriate credit counseling services available in the area. A form containing the names, addresses and phone numbers of various counseling agencies is mailed to the borrower.

SECOND REVIEW PRACTICES

In order to ensure fair and non-discriminatory access to credit for all applicants, the Board of Directors has developed a Second Review Committee to review all denied and withdrawn loan applications. Prior to the issuance of the adverse action notice, all denied and withdrawn applications are forwarded to the Committee for inspection. The senior Management Committee, which is comprised of the Chief Financial Officer and the Vice President/CRA Officer, serve on the Second Review Committee. The review includes all denied applications to ensure that the loan staff followed the bank's underwriting guidelines and to ensure that the reasons for denial were justified. The Second Review Committee reports its findings to the Board on a regular basis.

INTERNAL CONTROL PROCEDURES

Management reviews the geographic distribution of the bank's HMDA reportable mortgage portfolio along with a tracking of deposits by zip code. HMDA data presented by BankMaps software data is analyzed and reported quarterly to the Board of Directors. In addition, the bank maintains a spreadsheet of its commercial and commercial real estate loans originated throughout the year.

The second review committee continues to operate to ensure that all applicants are treated equally. The bank utilizes the service of an outside accounting firm that completes a Fair Lending Review on an as-needed basis.

MINORITY APPLICATION FLOW

A review of HMDA reportable loan applications was conducted in order to determine the number of applications the bank received from minorities throughout the assessment area. In 1998 and 1999, the bank received 547 HMDA reportable loan applications from within its assessment area. During this period, 47 applications or 8.6 percent were received from minorities. Refer to the following table for further details.

APPLICATION FLOW

Race	1998		1999		Total	
	#	%	#	%	#	%
American Indian	1	0.3	0	0.0	1	0.2
Asian	9	2.7	6	2.8	15	2.7
Black	6	1.7	7	3.3	13	2.4
Hispanic	1	0.3	2	1.0	3	0.6
Joint Race	4	1.2	6	2.8	10	1.8
Other	4	1.2	1	0.5	5	0.9
Total Minority	25	7.4	22	10.4	47	8.6
White	305	90.8	187	88.6	492	89.9
No Information	6	1.8	2	1.0	8	1.5
Total	336	100.0	211	100.0	547	100.0

SOURCE: 1998 & 1999 HMDA/LARs

According to 1990 Census Data, the bank's assessment area contains a total population of 367,426 individuals of which 8.9 percent are minorities. The minority population is 0.1 percent American Indian, 3.1 percent Asian, 2.9 percent Black, 2.7 percent Hispanic and 0.1 percent other.

The bank's minority application flow for this period was compared with the racial make-up of the assessment area and 1998 aggregate data for all other HMDA reporters within the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow.

Aggregate information indicated that, of the 25,241 HMDA reportable applications received from other banks within the assessment area in 1998, 10.3 percent were from minorities: 0.2 percent from American Indians, 4.0 percent from Asians, 1.9 percent from Blacks, 1.4 percent from Hispanics, 1.3 percent Joint Race, and 1.5 percent from Other individuals. It should also be noted that Medford Co-operative Bank originated 24 of the 25 minority applications (96.0 percent) received during 1998. By comparison, all other lenders throughout the assessment area originated 77.7 percent of the minority applications received during 1998.

Based on the above information, Medford Co-operative Bank's minority application flow appears to be reasonable.

OTHER ACTIVITIES

At bank management's request, the Division reviewed the bank's community development loans, qualified investments and services. The bank's activities in these areas enhance credit availability within the assessment area and contribute to the overall rating of High Satisfactory.

Community Development Lending

As defined in the revised CRA regulation, a community development loan is a loan that: 1) has as its primary purpose community development; and 2) except in the case of a wholesale or limited purpose bank, has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family dwelling loan; and, benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

The bank's qualified community development loans for 1998 and 1999 are described below.

The bank recently closed a loan for \$1,981,839 for the financing of a 24-unit condominium in Malden to the F&M Realty Trust. This loan was granted in conjunction with the Malden Redevelopment Authority for five condominium units designated for low and moderate-income families.

The bank also closed a loan for \$192,500 to Shelter, Inc. & Affiliates. The purpose of this loan was to partially fund the acquisition of a two-family house to be used as shelter for homeless families and individuals. This property is located at 374 Broadway in Malden, a middle-income census tract.

Qualified Investments & Services

To be considered for review, an investment or service must meet the definition of community development. Community development purposes are defined as affordable housing, community service, economic development, and community stabilization/revitalization. Community development services must relate to the provision of financial services.

The bank's activities in these areas enhance credit availability within its assessment area and contribute to the rating of High Satisfactory.

Investments

The bank's investments in 1998 and 1999 consisted of mortgage-backed securities as well as monetary contributions to local charitable groups and membership fees to business organizations. A targeted mortgage-backed security provides an investor with an ownership interest in a pool of single-family mortgages, which acts as the underlying asset of the security. The investor receives a pro-rata share of the cash flows due from the mortgage

pool. All of the mortgage-backed securities under discussion are comprised of loan pools originated entirely to low and moderate-income borrowers who reside in the investors' CRA assessment area. Medford Co-operative Bank has authorized its investment advisor to purchase \$500,000 worth of FNMA, Freddie Mac, or Ginnie Mae issued targeted mortgaged-backed securities for regular settlement throughout the assessment area. On March 13, 2000, two mortgaged-backed security bonds were purchased totaling \$302,000.

As stated above, Medford Co-operative Bank's investments also consist of contributions. Contributions were granted over the past two years to several charitable organizations including: Tri-City Mental Health, Massachusetts Bankers Association Charitable Fund, Consumer Credit Counseling Services, Medford Visiting Nurses Association, Mystic Valley Elder Services, and Caritas Communities. The bank has granted CRA contributions of approximately \$15,000 over the past two years.

The investments described above benefit the community and low and moderate-income individuals and provides additional support to the overall rating.

Services

Medford Co-operative Bank's main office is located at 60 High Street in Medford, Massachusetts. The bank also maintains three other full-service offices located in Medford (2) and Lexington as well as school branch located inside Medford High School. Students earn credits while working at the High School Branch. In addition, the students work part-time at different branch locations during the summer assisting the

bank during vacations. The bank will be opening a branch on May 1, 2000 in Arlington. Business hours are reasonable at all banking locations, with extended Thursday evening hours and Saturday banking hours at all locations. In addition, the bank employs several individuals who speak a foreign language including Creole, Greek, Italian, Portuguese, and Tagalog.

The bank offers savings and checking accounts that qualify for consideration under the Massachusetts Community & Bank Council's Basic Banking program. This program provides lower income individuals access to savings and checking services for low monthly fees or minimum balances.

The bank continues to maintain its Voice Response system that was introduced in September of 1997. This toll free telephone 24-hour access system allows customers to perform certain banking functions. By utilizing this service, customers can access their accounts, obtain balance inquiries, transfer funds from one account to another, obtain current interest rate information, and determine loan payment information on a current loan or mortgage account.

Medford Co-operative Bank is also a member of the SUM network of ATMs, a surcharge-free alliance of several financial institutions that include over 1,000 ATMs throughout Massachusetts. The bank's customers can avoid ATM surcharges by conducting business at alliance members' ATMs that bear the SUM logo.

Customers and potential customers can obtain a comprehensive overview of the bank's products and services through its Internet web site at **www.medfordcoop.com**. The site includes the history of the bank, deposit and loan rates, branch locations and hours, and ATM locations.

Community Development Services

Medford Co-operative Bank is considered highly proactive within its assessment area. Officers and employees are involved with community organizations that address economic and affordable housing development. Through these involvement's, the bank's staff lends their technical expertise, experience and judgment to these organizations. Following are some examples:

Mystic Valley Development Commission (MVDC) - The bank's President & Chief Executive Officer (CEO) serves on the Board of Directors for TeleCom City - a future modern technological center for research development. Once completed, the center is expected to create 8,000 new jobs within Malden, Medford, and Everett. All of these cities are located within the bank's assessment area. In addition, a representative from the bank serves on MVDC's Brownfields Cleanup Revolving Committee.

Melville Trust - The bank's President & CEO serves as a Trustee for this trust that was created to benefit eligible residents of Medford. The trust provides aid to individuals who cannot receive assistance through ordinary welfare channels, and to those persons who due to age or illness need such assistance.

Shelter, Inc. - Family Life Education, Inc. - A commercial loan officer from Medford Co-operative Bank serves on the Board of Directors of this agency. This organization provides apartment facilities for battered women and their children.

Tri-City Mental Health and Retardation Services - A commercial loan officer serves on the Board of Directors of this organization. This organization is located in Malden, Medford, and Everett and houses individuals that are mentally challenged.

Lexington Housing Assistance Board - A representative from the bank serves in an advisory capacity for the Board of Directors of this organization. This agency is responsible for building and/or purchasing affordable housing in the Lexington area.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

Medford Co-operative Bank

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **March 23, 2000**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.